



INTERROGATORIES OF UNITED STATES POSTAL SERVICE  
TO PUBLIC REPRESENTATIVE WITNESS KLINGENBERG

General:

**USPS/PR-T2-1.** Please provide a version of your testimony that comports with the Commission's filing requirements, specifically including line numbers on each page.

**USPS/PR-T2-2.** Your testimony references two library references upon which it relies, PR-LR-3 and PR-LR-NP1 (PR-T-2 at 2). Please describe each, explaining what it contains, how you use it and when the latter will be (or was) filed.

**USPS/PR-T2-3.** Please explain all of the analytical steps you took, from input data sources, assumptions, data limitations, all processing steps, output data, as the Commission's Rule 31(k) (39 C.F.R. § 3001.31(k)) requires. This documentation should include all data upon which you rely, including data obtained from ESRI, so that your analyses can readily be replicated. Please document each of your tables plus separate results reported in the text.

a. Did you attempt alternative analyses that you ultimately chose not to include in your testimony? If not, why not? If so, please provide a general description of what those efforts attempted to do and why they were ultimately abandoned.

**USPS/PR-T2-4.** Please confirm that you and others representing the Public Representative in this case worked together to analyze the Postal Service direct case and develop an overall strategy for participating in this docket. If confirmed, please explain the person(s) with whom you collaborated, excluding counsel. If you do not confirm, please explain what approach was taken and who was evolved for what purpose and effect.

**USPS/PR-T2-5.** What was your general understanding of your part in the Public Representative's overall participation in this case (please do not answer in terms of what counsel may have advised)? Has your understanding changed any during the conduct of the case? Please explain.

**USPS/PR-T2-6.** Graphic 1, a map of the United States with all Postal Service offices, is overtly misleading because the RAOI offices are dark solid red with black outline and the open offices are very light blue with blue outline; one consequence is that the reds are always on top of the blues. Please produce a new variant of Graphic 1 that uses, and shows in its legend, three colors for the two underlying data types plus the intersection.

Purpose:

**USPS/PR-T2-7.** Please confirm that you describe the purpose of your testimony as, "to provide analysis of the Postal Service's retail network and the Docket No. 2011-1 Retail Access Optimization Initiative."

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- a. Please confirm that your purpose statement is accurately quoted.
- b. What do you understand is the Postal Service's purpose in RAOI, and to any extent its "four components" embody discrete purposes (please provide citations to support your response):
  - i. Filing its Request in this docket?
  - ii. RAOI?
- c. Does your analysis of the Postal Service retail network intend to serve any specific goal?
- d. Does your analysis of RAOI serve any more specific goal?
- e. Please confirm that the last sentence of your first paragraph in section II, Purpose and Scope of Testimony, appears to offer general conclusions you reach, "Based on the selection criteria used by the Postal Service and the analysis provided in this testimony, it appears the 'low workload' Post Offices currently operate at deficit and provide service to rural Americans."
  - i. Use of the words "appears to" denotes some equivocation as to the strength of your conclusions; please explain the extent of your equivocation including any alternative to use of "appears to" that you considered and ultimately chose not to use.
  - ii. What is the tie between postal selection criteria and your analysis that enables you to conclude what "appears to" exist.
  - iii. How do you define "rural Americans"? Please explain and address how you arrived at your definition, what alternative definitions you considered but chose not to use, and any larger significance to your use of the term.

**USPS/PR-T2-8.** This question stems from the second sentence of the second paragraph in section II of your testimony, which reads, "[Your testimony] provides a quantitative analysis of the Postal Service's retail network and germane proposal." In particular, the focus is on your understanding, for purposes of your testimony, of the relationship between the Postal Service retail network and its RAOI proposal. Please explain your understanding of that relationship.

**USPS/PR-T2-9.** The second paragraph in section II of your testimony says the following, "[A] discussion of alternative tactics that the Postal Service could employ to optimize retail access is provided." Is it your understanding that the Postal Service has requested an advisory opinion about the full range of plausible and empirical optimization strategies that could be applied to optimize a retail network?

- a. If so, please cite to the genesis of your understanding in materials filed by the Postal Service.
- b. If not, please state your understanding of what the Postal Service has requested and cite to materials filed by the Postal Service.

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- c. Regardless of your responses to parts (a) and (b), would you agree that the range of optimization possibilities not addressed by the Postal Service Request is broad? Please explain your response.
- d. What, if any, limits on the scope of the Postal Service Request are you able to identify?
- e. Is it your understanding that RAOI itself encompasses discontinuance studies on respective nominated facilities? Please explain your answer citing to materials filed by the Postal Service to support your response.
- f. What is your understanding of how many offices the Postal Service sought to include within RAOI and why?
- g. What experience in the business world do you have that relates to optimizing a large company's retail network?
  - i. Did such work examine optimization of an entire network? Please explain your response.
  - ii. Did such work examine a specific optimization strategy? Please explain your response.
  - ii. Is it your understanding that you have dealt with retail network optimization strategies as an academic exercise? Please explain your response, its relationship—if any—to related business experience, and more generally how your the Postal Service how it should undertake optimization of its retail network.

**USPS/PR-T2-10.** You begin the second paragraph on page 3 of your testimony with the word “unfortunately.” Please explain the judgment underlying this characterization, the extent to which it relies upon personal, professional, empirical, paradigmatic, research design, educational, experiential views and the extent to which such judgment is yours, that of the Public Representative, your agency, your fellow Public Representative witnesses or other viewpoints. Then please explain why and how the sum of such inputs allows you to substitute your judgment for that of the senior postal officials who fashioned the Request and its supporting data.

Cost of Operating the Postal Service Retail Network

**USPS/PR-T2-11.** The first sentence of section III in your testimony posits one hypothetical means of determining whether RAOI “will have a substantially nationwide effect.” What precedent, whether of legal or analytical import, supports use of the particular test you align your testimony behind? Please explain in terms that allow the reader to understand the significance for this case and beyond of the specific measure you propose in both historic and possible future terms.

**USPS/PR-T2-12.** Where in the materials filed by the Postal Service in this docket does it claim that any purpose or the scope of RAOI reaches to include

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nationwide costs? Please explain how you came to conclude that is what PRC Docket N2011-1 is about.

**USPS/PR-T2-13.**

- a. Where does the Postal Service introduce or explain RAOI as an exercise in nationwide optimization of the retail network?
- b. Notwithstanding any response to part (a), is it your understanding that the Postal Service is under some obligation to undertake optimization of the retail network nationwide? Must it also use tools of the type you attempt to utilize? Please explain your understanding.

**USPS/PR-T2-14.** Looking again at the first sentence of section III in your testimony, is it your understanding that the Postal Service made an attempt to determine “how ‘optimal’ the RAOI is”? If so, please explain the genesis of your understanding. If not, please explain how you arrived at the conclusion this would be a goal of your testimony. How, if at all, do you believe that your testimony succeeds in meeting that goal?

**USPS/PR-T2-15.** Please confirm that in the first two sentences of section III in your testimony, you substitute for RAOI’s own context the need to put it into a national context you define as having three components: 1) the number / location of Post Offices, 2) revenue generated by each office, and 3) cost of retail service in each office. Please explain any lack of full confirmation.

- a. Please explain how you came up with these three components and how, in your understanding, they encompass the entire retail network’s necessary components.
- b. Please confirm that a major theme of USPS-T-1 is the growth in use of alternate means of access to retail services. Please explain any lack of full confirmation.
- c. To any extent that postal customers access retail service via alternate access options, how, if at all, are those costs reflected by change in your three components? Please explain so that a reader not versed in postal operations or Postal Service regulation can understand.

**USPS/PR-T2-16.** What is your understanding of whether, or to what extent, the network of postal retail facilities has any excess capacity? If not, please explain the foundation for your understanding. If so, where is it located?

**USPS/PR-T2-17.** Footnote 4 in your testimony references a 2008 GAO study’s report that found data reliability problems in the Postal Service’s Facilities Database (FDB); the footnote follows a sentence in which you note having relied upon latitude and longitude data from the FDB. Did the GAO study report errors in facility locations reported as latitude and longitude in FDB? If so, what was the

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nature of those problems? If not, why did you cite that GAO study at that particular point in your testimony?

- a. What do you know today about the accuracy of FDB data?
- b. Is it your understanding that FDB is relied upon by the Postal Service to support daily operations? If so, what do you understand it accomplishes for the Postal Service? If not, what does the Postal Service use FDB for?
- c. Did you attempt to verify the latitude/longitude accuracy of any specific facility? Why or why not? If an analyst uses data from a source known to have data quality problems, what, if any, obligation does an analyst have to evaluate whether any such problems contaminate the data used?
- d. What is your professional evaluation today of the quality of the data you used from FDB? What, if anything, does this mean for the quality of your own results?

**USPS/PR-T2-18.** In the second paragraph in section III in your testimony, you reference “offices that will remain open.” How were you able to determine which offices will remain open?

- a. Is it your understanding that all offices identified in RAOI will be closed? Regardless if you answer yes, no, or something else, what is the source (or sources) for your understanding?
- b. Is it your understanding today that all offices identified by RAOI are still expected to be closed? If not, how did you learn otherwise?
- c. USPS-T-1 refers to a discontinuance process that relies upon Postal Service Handbook PO-101. You instead refer to “the RAOI discontinuance process” (PR-T-2 at 3); how does that differ from the PO-101 discontinuance process?
- d. What is your understanding of the relationship between RAOI and discontinuance of respective postal retail facilities?
- e. How many offices in Delaware will close?

**USPS/PR-T2-19.** From pages 4-5 of your testimony, “The total revenue from these [30,466] [P]ost [O]ffices was \$65.7 billion in FY2010.” Is it your understanding that 90 percent of the Postal Service’s total revenue in FY2010 was earned by all these Post Offices?

- a. What is the data source for this assertion?
- b. What gives rise to the remainder of Postal Service revenue?
- c. If a major mailer enters a single mailing at 200 major plants around the domestic service area, which Post Office gets credit for the mailing?
- d. What is your understanding of how such a mailing is paid for?
- e. Do you understand what Plant-Verified Drop Shipment (PVDS) entails (a postal employee verifies the number and postage of all pieces at the mailer’s plant, after which the mailer transports the mail for physical entry at various regional or national plants)?

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- i. To which Post Office does the revenue from a PVDS get credited?
  - ii. What is the foundation for your understanding of this question and answer?
- f. Please confirm that your testimony then goes on to contrast the \$65.7 billion revenue at these 30,466 Post Offices with their over \$34 billion operating costs.
  - i. Where do the cost of operating plants get accounted for?
  - ii. Where does the cost of transporting mail from these 200 or so plants to carrier units for delivery get accounted for?
  - iii. Please confirm that if you were to show the Walk-In Revenue as the Postal Service defined that term to nominate RAOI offices the total revenue of that group of offices would be \$42.4 million.
  - iv. Please confirm that if you were to calculate retail operating costs corresponding to those same RAOI offices that total would be \$201.1 million.
  - v. Please confirm that among RAOI offices nominated based, in part, on Walk-In Revenue, the average such revenue is \$16,000.

**USPS/PR-T2-20.** Your testimony (at 5) asserts, “The retail network is composed of the Post Offices, the Post Office Boxes located in Post Offices, and the Postal Service employees that provide retail counter service at those Post Offices.” What is the foundation for your understanding that the elements you identify comprise the “retail network”?

- a. What is the relationship between the retail network and the delivery network?
- b. Does Post Office Box service entail any form of delivery? Is it part of the delivery network or the retail network. Please explain your response and cite appropriate source materials.
- c. What is your understanding of the relationship between employees who work retail counters and those putting mail in P.O. Boxes?
- d. What is your understanding of the relationship between employees who work retail counters and those moving mail from trucks to carrier operations?
- e. In the comparison of costs and revenues you make, where do the costs of the various employee activities addressed in this question end up?

**USPS/PR-T2-21.** Later in that same paragraph on page 5 you state, “The Postal Service was unable to provide information on operating costs that isolates window service costs from mail processing and delivery costs.” What is your understanding of why that is?

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- a. What is your understanding of postal data systems? Please identify those with which you are familiar and briefly state what purpose(s) they serve.
- b. What, if anything, do you know about (In-Office Cost System (IOCS)? What does it provide by way of costing information? How are its data used?
- c. Later on that page you refer to FY2010 Cost Segments and Components; please explain briefly your understanding of what it contains.
  - i. How, if at all, do you understand that report is created?
  - ii. Does it use data from any particular data systems that you are at least modestly familiar with? Which?
  - iii. What, if any, crosswalk between Cost Segments and Components and your construct on page 5 of the retail network and its components? Please explain completely.

**USPS/PR-T2-22.** On page 5 of your testimony, you contrast two figures for the cost of operating the retail network: “over \$34 billion” and “\$5.8 billion”. Is it your contention that they measure the same thing? Please explain your understanding of the relationship between these numbers. What should each be used for?

- a. Please explain how you determined which “cost segments and components **related to** the retail network.” [Emphasis added.]
- b. What definition of “related to” did you use and how did you arrive at that conclusion?

Economic Analysis:

**USPS/PR-T2-23.** (Looking at section IV(b) of your testimony,) Is it your understanding that the Postal Services identified offices included in RAOI, in part, based upon their overall costs of operation or their costs to operate retail operations? Please explain your response and cite to any source materials upon which you rely.

**USPS/PR-T2-24.** What is your understanding of the relationship between “Walk in Revenue” as used in Table 2 of your testimony as compared with how it was used as a selection criterion by witness Boldt?

**USPS/PR-T2-25.** Table 3 in your testimony identifies 40 offices with BMEU operations; please explain how you identified those offices, including the specific criteria you understand signify the existence of a BMEU.

**USPS/PR-T2-26.** On page 8 you observe, “99% [of “Low Workload” offices] are staffed by only one employee. This means that Postal Service management does not have the flexibility to use fewer employees to better match employee workhours to earned workload.” Given that employees are unitary (one must use



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an entire person if she is used at all), please explain the point you are trying to make.

- a. What management flexibility might change this?
- b. What flexibility do you understand management has over workhours in a given facility?

“Low Workload”

**USPS/PR-T2-27.** Certain headings in section V of your testimony use language for which the meaning is not clear. What do you mean in the major heading that the “Low Workload” Selection Criteria **Identifies to** Rural Office that Operate at a Deficit” [emphasis added]? Is this a term of art for which you can provide a citation?

- a. What is the definition of “Rural Office” that you use? How was it developed? Can you cite to its source?
- b. Does “Identifies to” connote or denote anything other than a statistical relationship? If so, what is that? If it does at least imply a statistical relationship, what is it? Is it statistically significant? Please provide these details.
- c. On page 11, subheading c., what is meant by “Low-Workload **Means** that the Nearest Post Office is a Driving Distance of 10.3 Miles away” [punctuation/capitalization in original, emphasis added]? Since this heading seems to apply to a quite nonstandard definition for “Low Workload” please explain what you mean and provide a source for your use of this term, if you can. Please answer questions identified in part (b) also for the meaning of this heading.

**USPS/PR-T2-28.** Please refer to USPS Handbook PO-101 (USPS-Library Reference N2011-1/1).

- a. Would you agree that it specifies Post Office discontinuance procedures?
- b. Is it your understanding that this docket serves the purpose of evaluating “Post Office closing procedures”? Please explain your response.
- c. Does your use of the language quoted in part (b) from your footnote 12 indicate your expectation that the Postal Service has some obligation, or intention, of asking the Commission sometime in the future to evaluate “Post Office closing procedures”?
- d. Please explain your use of those words in footnote 12.

RAOI Proposal:

**USPS/PR-T2-29.** Please document the analyses you report in the paragraph at the top of page 13, as required by Rule 31(k). Please include confidence intervals as well.

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**USPS/PR-T2-30.** Does any of the analysis you performed in connection with your testimony (regardless of whether it actually appears in your testimony) attempt any evaluation of what the Postal Service terms “alternate access” points for retail service, whether they include contract postal units, consignees, Approved Shippers, non-personnel units, rural/HCR carrier delivery, Office Depot, phone/fax/mail, etc.? Why or why not? What, if anything, did your analysis show?

**USPS/PR2-31.** In section VI(c) of your testimony you include some comparisons involving other countries. In your understanding, how meaningful is a comparison of the Postal Service domestic service area, and attributes thereof, to those of Canada, France and Australia in a general sense?

- a. Please provide copies of any published or publicly circulated papers that you have used to compare the provision of postal services in the United States with the provision of postal services in those and other countries.
- b. How are the countries comparable in terms of geography?
- c. How are the countries comparable in terms of services provided by the country’s post?
- d. How are the countries comparable in terms of population density?
- e. How are the countries comparable in terms of number and types of postal access points?
- f. How are the countries comparable in terms of availability and use of alternate types of access (other than traditional brick/mortar facilities operated by employees of the post)?
- g. How are the countries comparable in terms of postage for the equivalent of a First-Class Mail single ounce letter or the closest international cognate?

**USPS/PR-T2-32.** Please confirm that you provide in your testimony certain analyses that focus on the distance of, apparently, residences from traditional brick/mortar postal facilities operated by postal employees.

- a. Of what significance are the results you report?
- b. Of what significance are the change in results assuming all RAOI nominated offices are formally discontinued?
- c. Of what significance would your results be if you were able to predict or know precisely which facilities are formally discontinued.
- d. Please add any commentary you think would be useful.

**USPS/PR-T2-33.** Near the bottom of page 17, you claim that 16.2 million “citizens” would be impacted by discontinuance of RAOI offices. How do you know how many are citizens?

- a. How can you conclude that all such customers use only the one office you assume they use? Can you provide any empirical support for this apparent assumption?

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- b. What other forms of retail access could they be making use of prior to discontinuance? How can you tell?
- c. What other forms of retail access could they be making use of after any discontinuance? How can you tell?
- d. Does your estimate of \$232 million cost to society also depend upon the assumption that 16.2 million people use only the one facility you assume they use? If not, please explain completely.
- e. What is the empirical basis for asserting each of those 16.2 million erstwhile customers makes one trip per week to a Post Office? On what basis do you assert that no such trips, on whatever frequency, could possibly be joined with trips for other purposes? Do any of the 16.2 million have jobs or go to school?
- f. Based on the various estimates of the Walk-In Revenue generated at each of those offices, what is the average revenue achieved by the more than 842+ million trips to a classified postal facility generate?

Pareto Optimality:

**USPS/PR-T2-34.** Please refer to the discussion on page 17 of your testimony in which you pose the question of whether the Postal Service can “spend less on its retail network and achieve a Pareto optimal result.”

- a. Please confirm that you do not define a “Pareto optimal result” in your testimony. If you do not confirm, please cite where in your testimony such a definition is provided.
- b. Please refer to discussion at Tr. 8/1763-64 (Feb. 7, 2003) in the Cap One NSA case (PRC Docket No. MC2002-2) between OCA counsel Costich and Prof. John Panzar. Do you agree with the consensus they reached that a state of the world is Pareto optimal if it is not possible to make anyone better off without making someone else worse off, and that a Pareto improvement occurs when one makes someone better off without making anyone else worse off? If not, please explain.
- c. On page 17, you claim that “[i]f the Postal Service closes the RAOI offices, upwards of 16 million Americans will have less postal access, which is not a pareto optimal result.” Please confirm that it is your testimony that, because of having less postal access, those 16 million Americans would be worse off going from the status quo to a situation in which the RAOI offices were all closed. If not confirmed, please explain.
- d. Please confirm that, assuming *arguendo* that a number of Americans would be worse off (in terms of postal access) going from the status quo to the closure of all of the RAOI offices, this merely indicates that such a change would not be a Pareto improvement. If not confirmed, please explain.

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- e. Please confirm that the mere fact that some persons are harmed going from an old status quo to a new status quo does not exclude the possibility that it is impossible to make anyone better off moving from the new status quo without making some else worse off (i.e., does not exclude the possibility that the new status quo is Pareto optimal). If not confirmed, please explain.
- f. Please explain fully the basis for your claim on page 17 of your testimony that the closure of the RAIO office “is not a pareto optimal result.”
- g. Please confirm that, with reference to your statement on page 17 that the Postal Service “certainly needs to reduce costs where possible” that as a practical matter it is virtually impossible to “reduce costs” without making *someone* worse off (e.g., postal employees, contractors, customers, competitors, etc.). If not confirmed, please explain.
- h. Do you agree with the statement by Prof. Panzar on page 1764 of the Cap One NSA transcript that “the opportunities to make Pareto improvements in the policy arena are rather limited, say nonexistent”? If not, please explain.
- i. Do you agree that a reasonable extension of the above-quoted remark by Prof. Panzar on page 1764 of the Cap One NSA transcript would lead to a similar conclusion that the opportunities to apply the concept of Pareto optimality in the policy arena are likewise either limited or nonexistent? If not, please explain.